

Message Text

CONFIDENTIAL

PAGE 01 BANGKO 07787 111026Z

ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 EB-08 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 /107 W

-----111122Z 022380 /20

R 110945Z APR 77

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 0986

INFO AMEMBASSY SINGAPORE

AMEMBASSY TEHRAN

C O N F I D E N T I A L BANGKOK 7787

E.O. 11652: GDS

TAGS: ENRG, TH

SUBJECT: THAI PIPELINE AND IRANIAN OIL

REF: (A) STATE 44763 (NOTAL); (B) BANGKOK

4264 (NOTAL);

SUMMARY. MR. DON B. SMITH, OF BROWN AND ROOT INTERNATIONAL (BRI), TEHRAN, BRIEFED EMBOFF APRIL 11 ON RECENT DEVELOPMENTS IN PROPOSED IRANIAN OIL BARTER SCHEME. SMITH SAID IRANIAN NAVY OFFICIAL WHO REPORTS DIRECTLY TO IRANIAN CHIEFLTF NAVAL OPERATIONS LAST WEEK MADE FORMAL, ALTHOUGH STILL ORAL, PROPMUAL THAT BRIGTAKE PAYMENT IN OIL RATHER THAN CASH FOR BASE CONSTRUCTION PROJECT IN IRAN. AS RESULT, AXR BECAUSE RANKING THAI FINANCIAL AND GOVERNMENT LEADERS ALLEGEDLY HAVE SHOWN INTEREST IN BRI PROPOSAL, BRI IS TRANSFERRING SMITH FROM TEHRAN TO SINGAPORE OFFICE, FROM WHERE HE WILL VISIT BANGKOK ONE OR TWO WEEKS EACH MONTH. END SUMMARY.

1. SMITH SAID THAT DURING VISIT TO TEHRAN WEEK AGO, IRANIAN NAVY CAPTAIN DEYHAMI, COMMANDER OF THE CIVIL ENGINEERING CORPS, TOLD HIM IRANIAN CABINET HAD DECIDED NOT TO ALLO-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BANGKO 07787 111026Z

CATE ADDITIONAL FUNDS FOR CONSTRUCTION OF NEW NAVY BASE ORIGINALLY PROJECTED TO COST U.S. \$2.8 BILLION BUT NOW CERTAIN TO COST AT LEAST U.S. \$4 BILLION. SMITH SAID THIS ACTION LEFT NAVY ONLY U.S. \$30 MILLION FOR 1977, WHICH WOULD PAY FOR BRI'S ENGINEERING COSTS BUT WOULD NOT PERMIT CONSTRUCTION TO BEGIN. HE SAID GOI OFFICIALS ARE GREATLY CONCERNED ABOUT FACT THAT AS RESULT COST ESCALA-

TION CLAUSE OF 9.2 PERCENT IN
CONTRACT EVENTUAL BASE COST
INCREASES ABOUT U.S. \$1 MILLION FOR EACH DAY THAT
START OF CONSTRUCTION IS DELAYED. THEREFORE, ACCORDING
SMITH, CAPT. DEYHAMI TOLD HIM "IT IS IMPORTANT TO CON-
SIDER ACCEPTING OIL IN LIEU OF CASH" IN PAYMENT FOR CON-
STRUCTION WORK IN IRAN. SMITH SAID HE REPLIED THAT BRF

HAD, OF COURSE, SIGNED CONTRACT IN EXPECTATION OF PAYMENT
IN CASH AND THAT PROBLEM IN ACCEPTING OIL WOULD BE NEED TO
DISCOUNT PRICE IN ORDER TO CREATE INCENTIVE FOR BUYERS TO
SHIFT AWAY FROM EXISTING SUPPLIERS. CAPT. DEYHAMI ALLEGEDLY
STATED THAT "THIS CAN BE ARRANGED."

2. SMITH SAID THAT FRIENDS IN TEHRAN TOLD HIM THAT DIS-
COUNTING IS SOMETIMES CARRIED OUT THROUGH "BONUS BARREL
PARTICIPATION." UNDER THIS SCHEME, HE EXPLAINED, A
200,000 BARREL TANKER WOULD BE MANIFESTED AND CHARGED FOR
180,000 BARRELS OF CRUDE BUT WOULD BE LOADED TO 200,000-
BARREL CAPACITY. SHIPPER WOULD THEN BILL BUYER FOR
ACTUAL AMOUNT METERED--200,000 BARRELS--WHEN DIS-
CHARGED AT DESTINATION; THE "BONUS" WOULD BE 20,000
BARRELS.

3. IN REGARD FOREGOING, SMITH SAID THAT U.S. CITIZEN
RESIDENT IN PARIS APPROACHED BRI IN TEHRAN LAST WEEK
WITH OFFER TO SERVE AS BROKER FOR OIL ACQUIRED BY BRI
WITH COMMISSION TO BE NEGOTIATED IN RANGE OF 2.5 PERCENT TO
4 PERCENT OF FINAL VALUE OF SALE. SMITH SAID BROKER REPRESENTED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BANGKO 07787 111026Z

HIMSELF AS OFFICER IN MARCH RICH CO. OF NEW YORK CITY.
HE ADDED THAT BRI HEADQUARTERS IN HOUSTON IS NOW
INVESTIGATING BONA FIDES OF MARC RICH CO. SMITH SAID
THAT BRI IS "DEFINITELY INTERESTED" IN PURSUING OIL
BARTER ARRANGEMENT, ESPECIALLY IN VIEW OF FACT THAT
THAI FINANCIAL AND GOVERNMENT LEADERS, WHOM SMITH CHOSE
NOT TO IDENTIFY, HAVE SHOWN MARKED INTEREST IN BRI
PROPOSAL TO SELL OIL TO RTG FOR BAHT, THEN LOAN BAHT TO
RTG FOR LOCAL CURRENCY COSTS FOR CONSTRUCTION OF OIL
PIPELINE, DEEPWATER PORT, RING ROAD AROUND BANGKOK, ETC.
BRI WOULD, OF COURSE, HOPE TO SECURE MAJOR SHARE IN
CONSTRUCTION OF THESE PROJECTS.

4. SMITH SAID BRI TEAM IN HOUSTON IS NOW WORKING UP
WRITTEN PROPOSAL TO BE PRESENTED TO MINISTER OF INDUSTRY
PRIOR TO END OF APRIL. HE SAID HE WOULD TOUCH BASE
AGAIN WITH EMBOFF PRIOR TO DEPARTURE FOR SINGAPORE AT
END OF WEEK.
WHITEHOUSE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, CONSTRUCTION, DEBT REPAYMENTS, MILITARY BASES
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BANGKO07787
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770125-0377
Format: TEL
From: BANGKOK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770470/aaaaciye.tel
Line Count: 116
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: e1cc2fa7-c288-dd11-92da-001cc4696bcc
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 44763
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 10-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2847365
Secure: OPEN
Status: NATIVE
Subject: THAI PIPELINE AND IRANIAN OIL
TAGS: ENRG, TH, BRI, (SMITH, DON B)
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e1cc2fa7-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009